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June 18, 2001

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Dear Ms Cottrell:

We appreciate the opportunity to provide written comments on the Department's technical conference on competitive electric market issues. We apologize that we are filing our comments after the Department's June 14 deadline, but hope you will consider them nonetheless.

Sincerely,

Michael E. Hachey
Director, Power Marketing

Comments from TransCanada Power Marketing, Ltd.
June 18, 2001

Department of Telecommunications and Energy
Technical Conference on Competitive Market Initiatives

Summary

TransCanada Power Marketing Ltd. (TCPM) applauds the efforts by Massachusetts utilities to develop ideas to jump-start the competitive electric market. TCPM is particularly supportive of the initiatives presented by Mass. Electric and hope that other utilities will modify or develop programs with similar designs. In particular, TCPM supports Mass. Electric's proposal to make lists of non-residential default service customers available to suppliers, to develop short lists of active suppliers, and encourages Mass. Electric to continue its Power Connection Program. TCPM fears that NSTAR's proposed program would hinder communication between suppliers and customers and delay the ability of suppliers to provide immediate savings to customers. Unitil's suggestion to promote the use of power exchanges may prove to be useful to certain classes of customers (i.e., small end-users), however the Department should be careful not to promote one energy service option over another. Moreover, it is not a necessary tool for larger commercial and industrial customers who have the experience and knowledge to negotiate with suppliers without assistance. TCPM strongly urges the Department to dismiss the suggestion by National Energy Group to make a default service RFP such that no customers are allowed to leave during the period of the default service.

Mass. Electric proposal

Default Service Customer Lists

TCPM fully supports Mass. Electric's proposal to make lists of non-residential default service customers available to suppliers, by rate class (25:24 to 26:18; 56:16 to 57:1). We have shared comments with Mass. Electric about the type of information we would like to receive. At a minimum, the information should include company name and some usage data (e.g., monthly energy and demand). Alternatively, the list could include the customer's account number(s) and meter number(s). This information would permit the supplier to access the customer's monthly usage from the "Account Window" located on Mass Electric's website. In most cases, it is also important to receive the customer's interval load data. Instead of sending interval data in a mass mailing it may be more efficient to expand the customer account window to allow access to interval data. It is also extremely important for the customer list to include customer contact names, addresses, and phone numbers. We would be willing to accept certain conditions for receiving the list. For example, we could agree to make every effort to provide supply

offers to these customers and agree not to use the lists for any other purpose except to market power.

Short List of Qualified Suppliers

TCPM supports Mass. Electric's proposal to compile a short list of active suppliers for its customers (26:19 to 27:14; 57:2-24). Many customers are frustrated by having to rely on the list of licensed suppliers provided on the DTE's website which does not define each suppliers target market and includes suppliers who are not active in the retail business. In its letter to the DTE dated May 22, 2001, Mass. Electric proposed to screen each interested supplier for financial and service capabilities. First, TCPM agrees with Mass. Electric that each supplier on the short list must have a current license with the DTE and must have a proven interface with Mass. Electric for data exchange. Second, TCPM can agree participating suppliers should commit to be responsive to customer inquiries, provided suppliers can set parameters defining which customers it wishes to target (e.g., rate class and minimum usage levels). However, a requirement for a supplier to provide offers to "any and all customers" may be too restrictive. Unique situations could arise where, after talking with a customer, a supplier recognizes it would be unable to provide a competitive offer. The supplier should not be required to waste the customer's time with a disingenuous offer to meet an agreement with Mass. Electric. Third, a demonstrated ability to provide customer service should assume the supplier is currently providing reasonable levels of customer service unless the utility learns otherwise (i.e., through customer forums or customer surveys). Fourth, TCPM suggests DTE licensure provides an adequate screen of a supplier's financial viability.

MassElectric's Power Connection Program

TCPM has found MassElectric's Power Connection program to be extremely valuable (56:7-15). Under the program, a Mass. Electric customer can request that Mass. Electric send its name, address, and load data to any interested competitive supplier. This provides competitive suppliers with the names of companies who are interested in talking with suppliers and gives suppliers the data necessary to evaluate the customer's load characteristics. It is not clear whether Mass. Electric intends to continue this program in addition to the initiatives discussed above. Admittedly, the two programs would overlap with some customers appearing in both.

TCPM would encourage Mass. Electric to continue the Power Connection Program, but modify it to include additional information. Continuing the program would allow suppliers access to the names of interested customers who may not fall in a supplier's primary target market, but may be attractive to contact because of unique characteristics. To facilitate the process and to avoid customers being disturbed by suppliers, it would be valuable to include in the information sent to suppliers the customer's rate class, contact name, address, and phone number and whether they are on default service or standard offer.

Additional concepts

TCPM would encourage Mass. Electric to implement other modifications proposed in Attachment 2 of its May 22 letter to the Department as soon as possible. Specifically, TCPM is in favor of providing further data to interested suppliers (e.g., previous tenant usage), enabling electronic authorization instead of wet signature to obtain usage data, and changing from VAN to internet based data exchange.

NSTAR proposal

TCPM applauds NSTAR's efforts to develop a program to encourage competition. Unfortunately, the program presented to the Department on May 31 is much less facilitating than Mass. Electric's because of NSTAR's efforts to protect customer confidentiality. TCPM was encouraged by a letter dated June 14, 2001 from Mass. Electric to the Department that concluded it could find no state and federal law nor legal impediment to an initiative to identify default service customers for suppliers (letter at page 2). TCPM hopes NSTAR and the Department reach the same conclusion so that NSTAR and other utilities can modify or develop customer programs that provide information and supplier access consistent with Mass. Electric's proposal.

TCPM is concerned that NSTAR's proposal (63:19 to 66:12) to mask the customer's identity with an ID number would hinder communication and delay the ability of suppliers to provide immediate savings to the customer. First, upon receipt of the customer list, it will be very difficult for suppliers to reply to NSTAR regarding all 200 customers in a short period of time. Second, NSTAR proposes to collect offers from suppliers, organize them and disseminate all offers to customers. This will require significant resources and considerable time, especially as NSTAR waits for responses from suppliers to arrive. It is important to remember that electric prices are extremely time-sensitive given the volatility in wholesale markets. In the current market, a competitive price offered to a customer one day can be uncompetitive three days later. In order to make the best decision possible, the customer needs to compare supply offers of identical term lengths, all provided within a day or two of each other. TCPM fears the suggested administrative process would be slow and therefore unresponsive to customers' needs.

TCPM has other concerns in addition to the administrative process. First, TCPM needs to be able to talk directly with the customer from the very start to identify the desired term length, assess the credit risk, and establish when the customer wishes to commence service. Under this proposal, the customer's identity would be masked to the supplier until much later in the program. Second, TCPM is not willing to share its supply price offers with any of the utility companies. We provide price offers to customers on a confidential basis. Third, while it is true TCPM, like other suppliers, is concerned about customer credit, TCPM would prefer NSTAR not exclude any customers from the default service list because of credit concerns. TCPM may have the flexibility to devise payment

plans acceptable to both parties even for customers who have had poor payment history with their utilities.

Unitil Proposal

Unitil suggested the Department could jumpstart the competitive market by promoting web-based power exchanges (35:4 to 36:23) or requiring utilities to contract with third party brokers (37:14 to 37:21). While power exchanges may prove to be useful to certain classes of customers (i.e., small end-users), it is not necessary for larger commercial and industrial customers who have the experience and knowledge to negotiate with suppliers to acquire power supply. It is important that the Department not place itself in a position where it is: 1) promoting one competitive supply option over another; 2) promoting a particular fee-based service over options available to buyers that are free; 3) forcing utilities to enter into contracts so that its customers are paying for the contract whether or not they take advantage of the services; 4) providing through a state-sponsored education program, free marketing for a particular type of broker/aggregator. Some customers may be willing to pay extra for a fee-based service, but other customers may find the costs too high compared to doing the shopping themselves.

Comments of National Energy Group

Mr. Mahoney from National Energy Group provided comments and a possible explanation for the apparent discrepancy between forward prices and actual clearing prices experienced in the market (171:12 to 173:13). Mr. Mahoney offered that the higher forward prices can be explained, in part, by the uncertainties in the market created by customer migration. Mr. Mahoney suggested the Department could lessen the delta, and therefore lower default service rates, by making “a default service RFP such that no customers are allowed to leave during the period of the default service. All of a sudden, you remove a major risk that the competitive market must price and bid in or sum into its bid in response to an RFP” (171:24 to 172:6).

TCPM strongly urges the Department to dismiss this suggestion out of hand. Default service was intended to provide a last resort stop for electric service for customers who are in between suppliers, who have been unable to locate a supplier, or were unenrolled by a competitive supplier. If the electric market develops as expected, a customer’s time on default service will be short-lived. It would be counter to competitive market development to require customers to remain on default service. Customer migration is a necessary and expected component of default service. Suppliers can readily assess the risk of migration among different classes of customers and can price accordingly.

Other Comments

TCPM would encourage other Massachusetts distribution companies to implement an on-line customer energy usage inquiry system similar to one Central Maine Power recently

implemented. A customer can input its phone number and a password and access a host of usage information, including interval load data. If customers are willing, they can provide their password to a supplier to allow the supplier immediate access to information to provide the customer a price tailored to their usage patterns.

Any additional information the distribution companies can provide to customers to help them understand the new market dynamics would be extremely helpful. For example, customers need to be educated about the need for competitive suppliers to do credit assessments.